



The voice of mid-size communications companies

February 14, 2017

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, DC 20554

**Re: *Ex Parte* Communications: WC Docket Nos. 16-106, 10-90, 14-58, 14-259**

Dear Ms. Dortch:

On February 13 and 14, 2017, Genny Morelli and the undersigned met respectively with Jay Schwarz of the Office of Chairman Pai and Amy Bender of the Office of Commissioner O’Rielly regarding the above-captioned proceedings.<sup>1</sup>

As reflected in the comments filed by ITTA in response to the *CAF II Auction FNPRM*,<sup>2</sup> in the meetings we emphasized that the Commission should adopt CAF Phase II auction procedures that emphasize breadth of deployment and efficient use of limited universal service funds. Moreover, the Commission should consider subscribership data for broadband services of various performing levels, in conjunction with their relative costs to consumers, in establishing weights accorded to the four service tier levels delineated in the *CAF II Auction Order*. Consumers, especially in the rural areas in which the Phase II auction will spur deployment, are price sensitive; they value affordable access to a good product over premium rates associated with a premium product. As illustrated by the *2016 Broadband Progress Report*,<sup>3</sup> rural consumers are far more inclined to adopt less-expensive 10/1 Mbps services than higher-priced 25/3 Mbps services. Thus, consistent with the 10/1 Mbps standard applicable to Phase II model-based support, Phase II auction bids should be weighted in a manner that incents carriers to deploy broadband meeting (or exceeding) this standard at a price point that will actually encourage consumers to purchase it.

Because each of the four specified tiers promises high-quality broadband service, efficiency dictates that the weighting of bids differentiate little among the tiers. This approach,

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<sup>1</sup> *Connect America Fund; ETC Annual Reports and Certifications; Rural Broadband Experiments*, WC Docket Nos. 10-90, 14-58, 14-259, Report and Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd 5949 (2016) (*CAF II Auction Order and/or FNPRM*); *Protecting the Privacy of Customers of Broadband and Other Telecommunications Services*, WC Docket No. 16-106, Notice of Proposed Rulemaking, 31 FCC Rcd 2500 (2016).

<sup>2</sup> See Comments of ITTA, WC Docket Nos. 10-90, 14-58, 14-259 (filed July 21, 2016) (ITTA Comments).

<sup>3</sup> *Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act*, 2016 Broadband Progress Report, 31 FCC Rcd 699 (2016) (*2016 Broadband Progress Report*); see ITTA Comments at 4-6.

again, emphasizes the policy goal of maximizing breadth of deployment while also challenging bidders seeking to offer higher speed tiers to do so as economically as possible. The areas to be auctioned were declined in offers of state-wide, model-based support requiring deployment of at least 10/1 Mbps services; except in limited cases, it is not rational to expect the auction to yield higher speeds for less support. A reasonable approach to weighting of the tiers, therefore, is:

Performance Tier	Speed	Usage Allowance	Weight
Minimum	>10/1 Mbps	>150 GB	0 (at cost effectiveness score)
Baseline	>25/3 Mbps	≥150 GB or U.S. median, whichever is higher	+5% of cost effectiveness score
Above Baseline	>100/20 Mbps	Unlimited	+10% of cost effectiveness score
Gigabit	>1 Gbps/500 Mbps	Unlimited	+15% of cost effectiveness score

In addition, from the consumer perspective, latency is a more critical factor in quality of the user experience than incremental speed differences. Therefore, a reasonable approach to additional weighting to account for latency is:

Latency	Requirement	Weighting
Low Latency	<100 ms	0 (at cost effectiveness score)
High Latency	<750 ms & voice MOS of > 4	- 45% of cost effectiveness score

With respect to the broadband privacy proceeding, we emphasized that time is of the essence to act on the stay petition filed jointly by ITTA and eight other associations,<sup>4</sup> especially given the impending March 2, 2017 effective date of the new data security requirements.

Please do not hesitate to contact the undersigned with any questions regarding this submission.

Respectfully submitted,

/s/

Michael J. Jacobs  
Vice President, Regulatory Affairs

cc: Jay Schwarz  
Amy Bender

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<sup>4</sup> See Joint Petition for Stay, WC Docket No. 16-106 (filed Jan. 27, 2017).